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MEMORANDUM FOR: Legislative Counsel

SUBJECT:

H.R. 5204, A bill relating to withholding on the compensation of Federali employees for purposes of the income taxes imposed by certain incorporated political subdivisions of States and Territories

- 1. It is our understanding that the State of Maryland and the District of Columbia are actively interested in tightening revenue controls, and, as a consequence, favorable consideration might be given to the passage and local implementation of the subject bill, or a comparable measure. H.R. 5204 authorizes the Secretary of the Treasury to enter into agreements with state and local jurisdictions for the withholding by Federal agencies of State and local income taxes from the salaries of civilian employees.
- 2. Within the Agency, the Offices immediately concerned would be the Offices of the Comptroller and Security, upon whom would primarily fall the respective burdens of administering a withholding program and of determining a secure procedure for withholding and reporting tax deductions. However, the impact of such a program on employee morale and security problems involved are matters of interest to the Office of Personnel and the Agency generally.
- The following situations represent some of the complexities which would probably be created by the enactment of this legislation and the imposition of its requirements upon CIA:
 - The determination, listing and external reporting of Agency employees situated in local jurisdictional areas, for withholding tax purposes. (This is administratively complicated because of the fluidity of the metropolitan population. due to changes in assignments, etc., and poses security problems.)
 - b. Creation of additional administrative burdens on the Comptroller's Office.
- 4. Moreover, a frequently debated issue is the jurisdictional basis for levying income taxes locally. The State of Maryland has

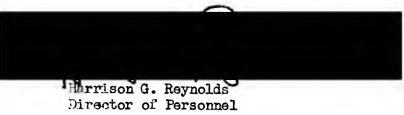
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advocated and enforced its belief that the situs where the income is earned establishes jurisdiction. The language of H.R. 5204 could possibly cause litigation on this issue, and create problems of tax liability based on domicile and situs of employment.

5. If you have not already done so, it is suggested that you solicit the views of the Offices of the Comptroller and Security on the subject bill. This Office would appreciate being advised if there is any prospect that favorable consideration will be given the proposal by Congress.

STATINTL



NOTICE OF PENDING LEGISLATION	ON	16 May 1955 LEGISLATIVE BILL NO. H. R: 5204
SECTION I	GENERAL	
To: Comptroller Director of Security	FROM: LEGIS	SLATIVE COUNSEL CE OF GENERAL COUNSEL
THE ATTACHED BILL, WHICH HAS BEEN INTRODUC	ED INTO CONGRESS	S. 1S:
SENT TO YOU FOR INFORMATION ONLY.		
A BILL ON WHICH FAVORABLE CONGRESSION	NAL ACTION:	IS IS NOT PREDICTED.
SENT FOR YOUR COMMENT AS TO WHETHER FURTHER ACTION BY THIS OFFICE IS NEC		
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E. R. Saunders, Comptroller

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84TH CONGRESS 1ST SESSION

H. R. 5204

IN THE HOUSE OF REPRESENTATIVES

March 24, 1955

Mr. Ashley introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

Relating to withholding on the compensation of Federal employees for purposes of the income taxes imposed by certain incorporated political subdivisions of States and Territories.

- 1 Be it enacted by the Senate and House of Representa-
- 2 tives of the United States of America in Congress assembled,
- 3 That the first section of the Act entitled "An Act relating
- 4 to withholding, for State income tax purposes, on the com-
- 5 pensation of Federal employees", approved July 17, 1952
- 6 (Public Law 587, Eighty-second Congress; 5 U. S. C., sec.
- 7 84b), is hereby amended to read astfollows: "That where-
- 8 "(1) the law of any State or Territory, or of any
- 9 incorporated political subdivision thereof with a popu-
- lation (according to the last decennial census) of seventy-

1	five thousand or more persons, provides for the collec-
2	tion of a tax by imposing upon employers generally the
3	duty of withholding sums from the compensation of
4	employees and making returns of such sums to the
5	authorities of such State, Territory, or political subdivi-
6	sion; and
7	"(2) such duty to withhold is imposed generally
8	with respect to the compensation of employees who are
9	residents of such State, Territory, or political subdivision,
10	then the Secretary of the Treasury, pursuant to regulations
11	promulgated by the President, is authorized and directed to
12	enter into an agreement with such State, Territory, or politi-
13	cal subdivision, within one hundred and twenty days of the
14	request for agreement from the proper official of such State,
1 5	Territory, or political subdivision. Such agreement shall
16	provide that the head of each department or agency of the
17	United States shall comply with the requirements of such law
18	in the case of employees of such agency or department who
19	are subject to such tax and whose regular place of Federal
20	employment is within the State or Territory (or, in the case
21	of an agreement with a political subdivision, within such
22	subdivision or within twenty-five miles of the boundaries

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- 1 thereof) with which such agreement is entered into. No such
- 2 agreement shall apply with respect to compensation for
- 3 service as a member of the Armed Forces of the United
- 4 States."

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84TH CONGRESS 1ST SESSION H. R. 5204

A BILL

Relating to withholding on the compensation of Federal employees for purposes of the income taxes imposed by certain incorporated political subdivisions of States and Territories.

By Mr. ASHLEY

March 24, 1955
Referred to the Committee on Ways and Means